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Improving public sector effectiveness

Report of the Secretary-General

Summary

The present report is prepared in response to Economic and Social Council decision 2003/230 of 21 July 2003, in which the Council approved the provisional agenda for the forty-second session of the Commission for Social Development. The priority theme of that agenda is "improving public sector effectiveness".

The report provides an analysis of the notion of "public sector" in the context of United Nations activities and circumscribed in the light of the mandate of the Commission. It then describes the context of the call for improving public sector effectiveness. A definition of what constitutes an effective public sector is analysed, and means to improve its effectiveness are discussed. These include the levels and methods of financing; methods of delivery of public social services; privatization; social dialogue and participation; and public servants. Finally, the report presents a set of recommendations for consideration by the Commission

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Introduction

1. In accordance with the multi-year programme of work for 2002-2006 adopted at the thirty-ninth session of the Commission for Social Development, the priority theme for the forty-second session, in 2004, is "improving public sector effectiveness". The present report, submitted pursuant to Economic and Social Council decision 2003/230 of 21 July 2003, addresses this theme.

2. An expert group meeting hosted by the Government of Ireland was convened in June 2003 in Dublin. The experts, invited in their individual capacity, were asked to give their views on factors affecting the effectiveness of the public sector and to discuss different strategies to strengthen such effectiveness. Some of the findings of the meeting were used for the preparation of the present report.

3. In chapter I, the very broad notion of "public sector" is placed in the context of the activities of the United Nations, and circumscribed in the light of the mandate of the Commission for Social Development. Chapter II evokes the intellectual and political context in which the call for greater effectiveness of the public sector gained prominence. In chapter III, an analysis is made of the concept of effectiveness as it applies to the public sector. In chapter IV, some of the means currently considered to improve this effectiveness are described. Finally, chapter V presents recommendations for consideration by the Commission.

I. The public sector in the work of the United Nations

4. The public sector encompasses those entities owned and/or controlled by the State and its central, regional and local agencies. These agencies include government departments or ministries, public agencies and a variety of statutory bodies, as well as public enterprises. State ownership can be total or partial, but essential to the public nature of an institution or activity is the existence of a regulatory regime and mode of operation determined by public authorities.

5. The public sector has a great variety of functions and operates in a large array of domains, from the collection of taxes to the production and delivery of energy to private households and enterprises, to the delivery of compulsory education to children in a given age group. In addition, the relative size and political, economic and social weight of the public sector vary immensely from region to region and country to country. Furthermore, there is a continuum between the public and the private sector as contractual and other relationships have progressively been created between public authorities, the private business sector and also the non-governmental and non-profit sector.

6. Since the issue of economic and social development in developing countries is central to the mandate of the United Nations, the role of the public sector continues to be one of the important items on its agenda. For instance, successive international development strategies include references to this sector and recommendations as to its functions and financing. During the cold war, there were irreconcilable differences on the optimal size of the public sector and on the extent to which the private sector of the economy should be regulated and subjected to governmental planning.

7. In the mid-1990s, however, at the time of the convening of the World Summit for Social Development, such controversies had lost much of their relevance as the advantages of the market economy over centralized and publicly owned systems of production and distribution had been clearly established. Rather, debates shifted towards ways and means to improve the effectiveness of public institutions and public activities, and increase their contribution to the realization of national and international goals. At its twenty-fourth special session, the General Assembly adopted resolution S-24/2 of 1 July 2000, in which it adopted proposals for further initiatives for social development. Section II, paragraph 43, of those proposals mentions the importance of stronger public institutions "to provide an effective framework to ensure an equitable provision of basic social services for all ... [and recognizes] that an effective and accountable public sector is vital to ensuring the provision of social services".

8. The work of the United Nations Secretariat has traditionally included public administration and ways to improve its functioning. In 2001, the Economic and Social Council established, by resolution 2001/45, the United Nations Committee of Experts on Public Administration, consisting of 24 experts appointed in their personal capacity. In the report on its second session, held in April 2003, the Committee recommended that, given the importance of efficient public administration systems for the attainment of social development and the Millennium Development Goals, the Economic and Social Council establish linkages between the work of the Commission for Social Development and the remit and work of the Committee.[1]

9. In view of the mandate of the Commission for Social Development and the agenda item — Follow-up to the World Summit for Social Development and the twenty-fourth special session of the General Assembly — under which the priority theme is placed, the public sector is treated in the present report from the perspective of its capacity to deliver effectively social services.

II. Context of the call for improving public sector effectiveness

10. Policy shifts over the past two decades have shaped the current perception of the public sector, its role and desirable size. During the 1980s and into the 1990s, the view prevailed that the smaller the government the better. Most Governments came under significant pressure to exercise fiscal discipline by reducing the size of their public sectors, budgets and expenditures, as well as their role in the economy and society. At the same time, Governments were urged to improve their overall performance. In other words, public institutions were asked to accomplish more with reduced means. Such policies were promoted in developed as well as developing countries, in the latter group primarily through the structural adjustment programmes prescribed by the international financial institutions.

11. Although the outcomes of those policies varied considerably among countries, particularly in relation to their level of overall development, a common result was a retrenchment in social expenditures and consequent cutbacks in public services. The reductions were particularly noticeable in developing countries, leading to significant declines in the size of their public sectors and a stronger emphasis placed on the private sector, with its perceived superior methods of management and efficiency. During the 1990s, it was increasingly recognized that public institutions

perform a supporting role in the smooth functioning of the market and create an atmosphere favourable to private investment and private initiative.

12. Along with this shift came a new emphasis on "good governance" in the provision of social services and the promotion of social development. The push for good governance was partly a reaction to perceived past government failures in the conception and delivery of public social services. In a number of developed countries, well-staffed and generously financed public services had fallen short of meeting their objectives. They were in fact inaccessible to the poorest social groups. Or, they were creating situations of dependency and abuse among individuals who were taking advantage of the State to meet their needs. The resentment of the middle and upper classes towards the tax burden and "big government", and the related tax evasion, as well as the growth of the parallel economy, ensued.

13. In many developing countries, unsustainable fiscal deficits and debt crises had ignited high rates of inflation, forestalling further progress in social development. The perception that the public sector was wasteful grew, leading to a greater emphasis on controlling government spending and advancing principles of sound financial management. Governments were vigorously encouraged by international institutions and providers of bilateral development aid to be more attentive to transparency and accountability in all aspects of their financial, fiscal and budgeting activities. The use of regular audits and other feedback mechanisms, as well as stricter enforcement of anti-corruption laws, were advocated.

14. In parallel with this call for greater restraint and greater rigour in the handling of public resources and the management of public services, the unfolding process of globalization has contributed to the weakening of the autonomy of most Governments in domestic policy-making. The forced integration of national economies into global markets, notably through the opening of their borders to trade and financial flows, has made those economies more vulnerable and less inclined or less able to devote sufficient resources to those sectors whose contribution to competitiveness may not be immediate. To remain competitive as exporters and attractive to foreign investment, developing countries in particular have been encouraged to deregulate their economies and ease the operations of the private sector in the production of goods and services. Such "competitive pressure" has reinforced the drive towards smaller government and austerity in the provision of public services, notably public social services.

15. As a result of the interplay of the various forces, lower priority has been attached to the public sphere, leading to stagnation or decline in public resources in many countries, and, within those public resources, a reduction in the allocation for the financing of social services. Data from the World Bank and the International Monetary Fund on consolidated central government expenditures in education, health, welfare, housing and community amenities show that most developing countries experienced a decline in the share of these social expenditures in their gross domestic product during the 1980s. The decline was the most pronounced in countries that underwent structural adjustment. In particular, reductions in public funding for education — and therefore in the essential formation of human capital — occurred in countries that could least afford such divestment, namely the least developed, most heavily indebted and otherwise low-income developing countries.[2]

16. Although there has been a partial reversal of those trends since the mid-1990s, the situation in most developing countries, notably the least developed among them, remains extremely difficult. These countries suffer not only from low levels of GDP but also from relatively small shares of GDP, as compared with more affluent countries, devoted to social services and social development. Not surprisingly, social expenditures remain the lowest, in absolute and relative terms, in some of the world's poorest countries and lower-income transition economies, where the need is the greatest. It is doubtful that the Millennium Development Goals will be achieved in a context of dramatically insufficient resources allocated to the public sector, and notably to the production and delivery of social services. Starving the public sector of resources under the rationale that it therefore will become more effective and efficient would seem dubious at best and counterproductive at worst.

17. In addition, international trade agreements have implications for the effective functioning of the public sector. Most notably, the General Agreement on Trade in Services (GATS), currently being negotiated in the World Trade Organization, could potentially lead to the liberalization of public services such as those providing for education, health, and the protection of the environment. Under certain interpretations of the "exclusion clause" and the rule that national regulations should be "not more burdensome than necessary", liberalization of services could prevent Governments from providing the subsidies and enacting the regulations that they would consider useful to promote their development policies, for example the objective of equity in the distribution of public goods. Should this happen, the ability of most Governments to pursue national policies for social development would be seriously impeded.

III. Defining the effectiveness of the public sector and its constitutive elements

18. The public sector operates with a sufficient degree of effectiveness, when its results, or "effects" correspond to the objective(s) that govern its operation. Particularly for that part of the public sector that delivers social services, the components or elements that permit an assessment of effectiveness of these services can be grouped into three categories:

(a) Firstly, there are issues of *accessibility*. Public social services have to reach the population for whom they are intended, whether it is the entire population, as is the case of services with a universal intent, or a portion of the population, when the services or benefits are targeted towards a specific group. The question of accessibility has also a geographical dimension, as there is often an urban "bias" in the availability of public services;

(b) Secondly, *quality* is an essential component of effectiveness. The question of quality can be assessed in relation to the responsiveness of the services to public needs and expectations. It should also be approached from the viewpoints of the norms and objectives set by the public authorities responsible for the design and delivery of those same services;

(c) Thirdly, the *productivity* of public social services is a critical element of their effectiveness. As those services are usually labour-intensive and sparsely funded, relevant questions include what is delivered at a given cost and how the

human resources are utilized. The difficulty in measuring the quality of the "output" of social services should not be an excuse for neglecting the issue of their productivity.

19. Discussions of public sector effectiveness typically elicit comparisons with the private sector, particularly with regard to notions of efficiency and productivity. However, key differences between the public and private sectors must be fully acknowledged, especially with respect to equity considerations. In contrast to private sector entities, public service bodies aim to increase availability and accessibility of services in an equitable way, including and especially to those who cannot afford them, rather than generate financial profits. If public services are charged for, they are not usually sold to customers at commercial prices set to maximize profits. Charges to the users are often subsidized to permit access by those with limited means.

20. In addition, public services such as social welfare and unemployment benefits are often monopolistic. There are also some public services, such as tax collection and law enforcement that are not only monopolistic in character but mandatory. As a result, many of the basic features of a commercial marketplace are absent from the delivery of public services.

21. Moreover, the assessment of the effectiveness of public social services can legitimately be done from different perspectives. There is the perspective of the State trying to give a precise content to the elusive but very important notion of general interest. There are indeed many public sector organizations whose objective is to serve the whole community. There is also the perspective of a broad range of stakeholders who have different interests and expectations. These stakeholders range from the actual recipients of government services to the taxpayers who fund the services but may not be direct recipients or beneficiaries. It is generally difficult to reconcile these different perspectives and to come to an agreement on what constitutes the overall effectiveness of a particular public service.

22. Added to the general difficulties in assessing the effectiveness of public social services is the obvious fact that national and local traditions and circumstances prevent the use of a universal formula. There are, nevertheless, general guidelines that can be applied as long as particularities and specifics are taken into account:

(a) All public organizations should set clear objectives: what they do, for whom they do it and what they want to achieve. While every institution has explicit goals and objectives related to its specific functions, general objectives of public social services include improving individual well-being; enhancing the quality of social relations, social structures and social institutions; and ensuring participation by all concerned. In doing so, it is sometimes necessary to have an open debate on the values that underlie these objectives;

(b) It is of basic importance to promote dialogue, debate and learning through democratization, both in internal structures of power and in relations with external stakeholders;

(c) It is always necessary to place the issues of the cost and financing of public social services into the overall context of other government operations and total government expenditures. Public social expenditures typically include human capital development (such as health, education and training), social equity enhancement (such as food programmes, housing and other social assistance) and

social protection (such as disability and pension programmes). It is widely recognized that these are productive investments in the long-term development of societies and an input to the development process, including the promotion of productive employment.[3] The facts that public social expenditure programmes directly promote human development and social cohesion and that country experiences have shown that investment in social sectors is linked with favourable economic performance, lend support to this argument;

(d) Another useful guideline is to try to ensure complementarity among the various social services. Such complementarity creates possibilities for achieving efficiency gains. For example, it is well known that expenditures on public health are more effective when parents are literate, expenditures on education are more effective when children are healthy, and poverty alleviation can be more effective if the targeted population is more healthy and literate.

IV. Means to improve public sector effectiveness

A. Levels and methods of financing

23. Although all countries aspire to improve the effectiveness of public service delivery, the challenges they face in pursuing this objective vary greatly according to the prevailing social and economic conditions. In developed market economies, the focus tends to be on delivering existing services more efficiently, while developing countries are often preoccupied with finding the means to expand the scale and scope of coverage and the economies in transition are confronted with the difficult task of remaking their social sectors in a changed political and economic environment.

24. In a number of developing countries, and most certainly in the least developed, the resources available for the financing of public social services are simply too low for such services to yield significant results. Partly as a reflection of their low level of overall development, and partly as a consequence of recent pressures for smaller government and reduced government expenditures in the social domain, these countries do not have the critical mass of resources necessary for delivering quality and effective services. In many cases, inadequate salaries for teachers, lack of teaching material in schools, absence of basic facilities, such as latrines, clean water or libraries, poorly staffed health-care facilities, lack of medical equipment and medicine, all such deficiencies prevent the effective functioning of public education and health institutions. These countries need to develop their economic base and establish efficient and fair systems of taxation as well as receive an increased level of official development assistance. In addition, they could place more emphasis on restructuring their budgets in favour of social expenditures.

25. Questions concerning the share of its gross national product and the share of its total public expenditures that a country should allocate to the financing of public social services are much less straightforward. National circumstances are too diverse for universal averages, norms or benchmarks to be of much value. Even among countries at a comparable level of development, for instance the least developed countries, applying across-the-board judgements and guidelines should be done with extreme caution. In a particular country, at a given point in time, a greater share of public expenditure might need to be allocated to education or health or housing; but

in another country, at the same level of national income, the most urgent priority might be additional financing for infrastructure, or improved irrigation. What is reasonably clear, however, is that every effort should be made to propagate the view that the financing of efficient social services is not only a "social expenditure" but an investment for economic growth and overall development. Hence, when budgetary cuts are necessary, social services should not obviously be the first to be sacrificed. Conversely, in times of relative prosperity, they should be seen as legitimate candidates for the allocation of additional resources.

26. Regarding methods of financing public social services, taxation — its level, its modalities, and its effects on the economy and society at large — is obviously the most traditional one, the most important source and the most difficult issue. Lately, much emphasis has been placed on reducing taxes. Excessive taxation and regulation by public authorities have been denounced for their debilitating effects on economic initiative and economic growth. Within the scope of the present report, only a few remarks are in order. In poor countries, the financing of public social services, short of a permanent foreign or international source, will increasingly have to be of domestic origin. Perhaps with the exception of a few countries that will be able to rely on abundant and valued natural resources, taxation will remain the main source of public revenues. Therefore, as already mentioned, for many countries the development of efficient and fair tax systems is a condition for progress in the quantity and quality of their social services.

27. More generally, better management, allocation and distribution of government finances and expenditures are crucial components of improving public sector effectiveness. It is clear that sound financial management of public funds — an essential aspect of good government and good governance — is critical to improving such effectiveness. An important part of this sound management is the recent emphasis on the provision of timely, relevant and complete information to all directly concerned and to the public at large to ensure both transparency and accountability. These characteristics or virtues of institutions and social processes are preconditions, albeit to different degrees, for an improvement in public sector effectiveness and have been echoed in numerous United Nations documents.[4]

28. In view of the reality of limited resource availability for social development, competition for resources inevitably arises in the budgeting process among all areas of social spending. It is therefore important to view social development as a process, which requires long-term planning and policy consistency. A long-term vision is a prerequisite to mobilize the necessary national and international support for public social spending. From the same long-term perspective, it is well established that public investment in all aspects of human capital enhancement largely determines the growth potential of a country as technology becomes more knowledge intensive and national economies are increasingly integrated into the world market. Therefore, high priority should be given to all stages and forms of public educational activities that promote the formation and upgrading of the skill level of the labour force, with a goal of attracting investment to help generate more productive employment opportunities, thus enabling less developed countries to participate more fully in the global marketplace.

B. Methods of delivery

29. In examining ways to raise the effectiveness — particularly the cost-effectiveness — of public service delivery, Governments have looked to alternative service delivery mechanisms, including the extent to which non-governmental organizations, private-public partnerships and/or the market could supply services traditionally provided by the public sector. However, any reform of public service delivery, be it decentralization, privatization, the introduction of public-private partnerships or competitive, market-based structures, should aim at achieving good governance and sound financial management while simultaneously striving to improve the quality of life for all citizens. Thus, any alternative provision of public services should be evaluated not solely on the basis of its impact on public finances, but also on its impact on social development. Although calls for greater efficiency in service delivery often point to the need for cost-cutting, they must be balanced with efforts to ensure quality standards and a fair and equitable distribution of services, especially to those disadvantaged groups that tend to be marginalized in society.

30. When deciding whether services should be provided through the government budget, the market or through NGOs, the basic criteria for choosing an allocation mechanism are its effectiveness in achieving specific goals and its adherence to important, agreed-upon values. In general, other things being equal, there is a strong case to be made for preferring mechanisms for service delivery that are both closest to the individual and most effective in achieving the desired goals. This implies a preference for local authorities over national — generally referred to as the principle of subsidiarity. Such a principle has become a common remedy for raising the effectiveness of government expenditure of all kinds, and of social development expenditures in particular. To match services with preferences and maximize the productivity of government expenditures, it may indeed be appropriate — for certain types of services and when local circumstances permit — to adopt decentralized decision-making processes.

31. Exercising caution in the matter of decentralization is necessary because, other things being rarely equal, general preferences, whether for the market, for government, or for close-to-the-ground institutions, have to be assessed in the very specific contexts of particular tasks and localities. This is particularly relevant in the context of low-income developing countries, where the right conditions for decentralization and subsidiarity often do not prevail. Education, for example, is operated and funded at the local level in most countries, with the arguments for decentralization usually being accountability and responsiveness — that families and communities are usually the best judges of what their children should learn and how they should learn it. However, parents who have never been to school may not realize the value of their children going to school, preferring instead that their children add to the meagre income of the family. In such an instance, the national goal of promoting an educated citizenry should prevail over the "decentralized" preference for supplementary family income.

32. Other alternative means for public service delivery include public-private partnership programmes, which seek to develop synergies between private businesses and the public sector. The promotion of such programmes has been advanced in several major United Nations conferences, including the twenty-fourth special session of the General Assembly, and documents, such as the Millennium Declaration, as well as in the New Partnership for Africa's Development.[5] Countries

have found that mainstreaming these programmes with regular public sector activities, rather than building up a portfolio of special projects with private companies, enables a better mobilization of the huge potential of cooperation between government and the private sector. This presupposes, however, that the private sector — in both the donor and the recipient countries — sees itself from the start as a partner entrusted with public responsibilities.

33. Importing business practices such as quality management and lean production into public organizations is yet another service delivery option being entertained by Governments. Although conventional wisdom holds that the differences between public and private organizations are so great that specific management techniques do not "travel well" across the private-public sectoral boundary, this notion is being challenged. Public organizations can usefully adopt and adapt management best practices from the private sector, with successful transfer of ideas most likely when managers and staff are open and responsive to change.

34. Altering market structures to encourage more competition, either between public and private suppliers or between public suppliers (for example, between schools or hospitals) is another way to change service delivery. Evidence on the impact of competition is very mixed: some studies suggest that it leads to higher public sector performance, whereas others suggest the reverse. The circumstances under which competition succeeds or fails are not yet fully understood.

C. Privatization

35. Privatization is perhaps the most controversial of the alternative forms of service delivery, eliciting strong opinions both for and against its use. The following paragraphs examine both sides of the privatization debate and describe the various manifestations which privatization can assume.

36. One form of privatization is the outsourcing of services to voluntary or private organizations. Under this arrangement, a public body retains responsibility for specifying the service to be provided but loses direct responsibility for delivering the service. Empirical studies have shown that outsourcing leads not only to a reduction in public employment, but also to a reduction in public expenditure. However, the verdict is mixed on issues of efficiency and equity, both for staff and for customers.

37. A second form of privatization is the transfer of a function to the private sector, as happened in several countries in the 1980s and 1990s in the cases of gas, electricity, telecommunications and other utilities. Although this looks like "full-scale" privatization, it is in practice a hybrid arrangement for two reasons. First, the private companies still have public interest obligations; and secondly, they often retain much of the monopoly power that the public sector entity had and therefore continue to require government regulation. Thus, any expected benefits and costs from operating in an ostensibly private market are correspondingly reduced.

38. Government disinvestments in publicly traded companies are yet another type of privatization. In some countries, the Government owns shares of a publicly traded company, such as in the banking sector, usually of a significant enough amount or percentage to give it a controlling interest or at least significant influence.

Government disinvestments of these shares amount to a relinquishment of this control or influence.

39. Sale of public sector enterprises previously wholly owned by the Government can be referred to as full-scale privatization. This could take the form of the sale of a previously wholly State-owned enterprise, as has happened in many economies in transition. It also could, at least theoretically, take the form of a government withdrawal from the provision of a service, and thereby transferring the function to the private sector but without private companies having a monopoly and the corresponding public interest obligations and regulations.

40. A common rationale for privatization has been the pursuit of cost-cutting, as a means to maximize the efficiency of service delivery. Privatization is believed by many to turn the public provision of services into efficient and effective private service operations. The following are considered among the major advantages of privatization:

(a) Removal of the "soft budget constraint", a phenomenon where chronic loss-making State-owned operations are continually bailed out by government financial subsidies or other instruments, thereby contributing to the low efficiency of the public sector;

(b) Increases in allocative and operational efficiency resulting from improved incentive structures built into private ownership;

(c) Establishment of a precondition for economy-wide marketization and a means for enhancing economic competition, particularly in economies in transition and countries undergoing structural adjustment.

41. Most forms of privatization are associated with short-term disruption in established procedures for public service provision and their long-term benefits remain open to dispute, particularly as far as social services are concerned. As acknowledged in section II, paragraph 36, of General Assembly resolution S-24/2, the impact of privatization, especially on the poor and vulnerable, remains to be seen.

42. Currently, international research supports a cautious approach to privatization and points to wide differences in the ability of countries to ensure equity through the private provision of public goods and services.[6] Especially in countries with extensive poverty and weak State capacity, many people are not able to benefit from the private provision of public services. Evidence in Latin America, Africa and the transition economies, for instance, indicates that when the provision of essential services (including health, education, transport and water) was outsourced to the private sector or non-governmental sector, access to those services by the poor declined and the gap between the poor and the non-poor grew.

43. Whether or not delivery of a social service is privatized, in such essential service areas as health and primary education, it is still vital to strive for universal access to the service in a sustainable manner. Although the Government is ultimately responsible for ensuring that all people enjoy access to affordable essential services, the private sector provider of the service should also share in this social responsibility. The success of privatization, therefore, should ultimately be judged by its impact on all concerned, including the most vulnerable members of society.

Otherwise, the situation will arise where the services for the poor are often poor themselves.

44. The State clearly has an irreplaceable role in establishing and enforcing regulatory frameworks and service standards to ensure that both public and private service providers deliver in accordance with contractual agreements. However, there is little agreement on how the State should correct for inequitable market outcomes and incorporate equity goals through private arrangements. In developing countries, the incapacity of the State to address these concerns can lead to costly and destabilizing distributive conflicts and perpetuate chronic poverty.

45. The social effects of privatization, including that of social services, should therefore be measured using several criteria:

(a) The impact on the cost-effectiveness, quality and access to services rendered by privatized entities, ranging from transportation and utilities to education and health services;

(b) The short and long-term implications for employment, as privatization may be conducive to lay-offs in the short and medium run, but the long-term expansion and investment in privatized companies may offset the initial job losses;

(c) The welfare implications, encompassing changes in social costs and benefits and the resulting increase or decrease in social welfare, as well as any changes in negative and positive externalities prior to, during and after privatization;

(d) The distributional consequences, which may, at least in the short run, bring about rising income and wealth disparities and possibly a higher incidence of poverty.

D. Social dialogue and participation

46. In an effort to improve the effectiveness — and the image — of the public sector, Governments have begun placing a higher priority on becoming more "client-oriented" and more responsive to changing and emerging community needs. Responsiveness to public needs can be enhanced through such means as needs assessments, discussions with the public before policy decisions are taken, and the timely delivery of economic and social goods and services.

47. Surveys are one means for determining if public needs are being met by measuring customer or citizen satisfaction with the quality and delivery of public services. However, surveys must be reviewed objectively to ensure that they are not self-serving, constructed to rationalize decisions that were made in the past. It could also be viewed as patronizing and inappropriate to ask people their opinion and level of satisfaction if there are no other means for them to engage in open dialogue and provide feedback on the design of service delivery systems.

48. A related caution is that people from some classes or strata in society, particularly from educated classes, are able to articulate their needs — and dissatisfactions — better than others. Without taking this into account, measures of satisfaction and responsiveness may suffer from the "squeaky wheel" principle, where those who are best able to articulate their dissatisfactions receive a disproportionate and inordinate amount of attention and improvement in services relative to others who may be more in need.

49. An important means to redress these potential inequities and improve responsiveness is the effective use of social dialogue, in which various stakeholders are involved in the decision-making processes encompassing the delivery of services. This can play a major role in enhancing service quality and facilitating the efficient functioning of the public sector.[7] By enabling those who are affected by government policies, programmes and services to have a say in their formulation, implementation and evaluation, social dialogue can greatly improve the responsiveness of the public sector to the needs and expectations of the citizenry. Moreover, social dialogue mechanisms can promote good governance through greater transparency and accountability in national decision-making; enable greater information-sharing and better communication between the Government and the public; spur more democratic participation and governance; and provide opportunities for more creative thinking and synergy among stakeholders.

50. A key aspect of social dialogue is the inclusion and involvement of public service workers in decision-making processes and involving them directly in efforts to improve effectiveness. This process should not only raise morale but should also translate into workers who are more invested and involved in their job and more committed to implementing corrective reforms and making them work. Overall, people tend to be more receptive to change if they have a say in how the changes are formulated and carried out, rather than if they are merely imposed upon them from above. Thus, a collaborative environment between management, staff and employee representatives will go a long way towards ensuring that the reform efforts are designed and implemented objectively and equitably, with the potential for producing meaningful and lasting results. In this vein, continuous feedback between management and staff should be provided and supported through effective communication channels.

51. It may be useful for countries to consider widening the traditional partners to social dialogue (employers, workers and government) to include non-governmental organizations and other civil society and social groups. Other measures to improve social dialogue may include: effective use of media briefings; town hall and other community meetings; radio and television call-in programmes; publication and wider dissemination of research papers and policy briefs; and establishing public commissions.

E. Public servants

52. How effectively and efficiently the public sector operates is dependent to a large extent on the competency and commitment of the workers who comprise the public service. As the delivery of public services tends to be highly labour-intensive, a qualified, skilled and motivated public sector staff is the foundation upon which a solidly performing public sector is based. Quality services are more likely to be delivered by quality staff; therefore, it is critical to advance policies within the public sector that strive to attract and retain excellent staff, and keep them well trained and motivated to carry out their duties at a consistently high standard that will satisfy the public at large. Thus, improving human resources within the public sector should be geared towards reorienting the organizational culture to make it more service- and performance-oriented, so as to foster an environment of excellence and professionalism.

53. The call for making improvements in the recruitment and hiring process of the civil service is nearly universal. Making the process more open, transparent, flexible and timely can aid in recruiting the "best and the brightest" into the public service and cut down on cronyism and political favouritism. Efforts to pursue a better gender and ethnic balance among staff are also significant, as they promote greater diversity in the public sector workforce, thereby creating a civil service that more accurately reflects the composition of the citizenry.

54. Establishing fair and equitable systems of advancement and promotion form another important part of the human resources equation. To this end, some civil services have begun instituting a reward and punishment scheme, to ensure that high performers are adequately rewarded for their distinguished service, and the poor performers are either encouraged to improve or are separated from service. Under a merit-based career development system, employees are promoted based on factors such as performance, professionalism, independence, integrity, political impartiality, transparency and service to the public. All too often, however, these merit principles are not given sufficient weight in determining qualifications for advancement in many civil services.

55. In order to encourage and promote high levels of performance among public employees, proper motivation is key. A large part of motivation comes from working in a well-functioning public sector that provides quality services. Motivation of staff can also be encouraged by providing interesting, challenging and satisfying work assignments, by offering ongoing training, skills upgrading and lifelong learning opportunities, and by monetary means, through attractive pay and benefits. Public employees need to engage in meaningful and relevant work, have the opportunity to keep abreast of new and evolving techniques and technologies, and feel that their efforts are respected, appreciated, recognized and properly rewarded.

56. Establishing an effective public service also necessitates a concomitant strengthening of codes of conduct for public employees, including a dedication to rooting out corrupt practices, both within government and in its dealings with the private sector. Studies conducted by the World Bank have highlighted the economic and social costs of corruption, demonstrating that it can deter investment, hinder growth and development, deepen poverty and inequality and undermine the legitimacy of the State and its leadership. Successfully combating corruption entails a multi-pronged approach that addresses a range of issues, including improving political accountability, reforming public sector management, increasing competitiveness in the private sector and enhancing civil society participation in public decision-making.[8]

57. Whether it is to combat corruption, implement reforms or just improve public sector performance, public sector managers have a fundamental role to play through exhibiting strong leadership, adopting sound management decisions, strategies and techniques, and positively influencing the organizational culture. At the same time, it should also be noted that the scope for managers to implement successful programmes of change is more limited in the public sector. For example, public sector managers often have little discretion over hiring and firing, hindering their ability to build a staff committed to public sector improvement. In addition, decisions are made through the political system and based on political objectives.

The challenge is therefore to combine flexibility and accountability within these constraints.

58. While good management is important to the more efficient and better use of resources, effective leadership can be just as important in giving direction and meaning and making a difference in performance. Credible and committed political leaders and top managers in the public sector who demonstrate the highest standards of professionalism and integrity are indispensable for advancing any reform measures. Effective management is necessary, but so is effective leadership.

V. Recommendations

59. The Commission for Social Development may wish to consider the following recommendations:

(a) **The improvement of the effectiveness of the public sector is one of the conditions for social development that requires strengthened international cooperation. Such cooperation should include the elaboration of norms and guidelines and the exchange of experiences on the respective roles and responsibilities of the public and private sectors, on promoting public sector effectiveness, and on policies and methods of efficient delivery of public services;**

(b) **A number of countries, particularly the least developed countries, do not currently have a sufficient level of financial resources to establish public social services commensurate with the needs of their citizens. These countries require a much stronger economic base and related efficient and fair tax systems. They should benefit from a favourable international economic environment, and a strengthening of various forms of financial and technical assistance;**

(c) **With regard to international cooperation through the international financial institutions, these institutions should take full account of the role and specificity of the public sector, notably public social services, when making recommendations on macroeconomic policies and implementing various programmes related to development and poverty reduction;**

(d) **The basic principles of good government and good governance, notably transparency, accountability, integrity and efficiency requiring in particular monitoring and evaluation, should be fully applied to all aspects of public sector operations, including the budget and budgetary formulation process, expenditure allocation and service delivery;**

(e) **Diversified methods and criteria should be used in the assessment of the effectiveness of public social services, which requires, in particular, a determined effort to take fully into account questions of equitable access and quality of such services. Efficiency in the delivery of such services should be inseparable from the attainment of their fundamental objectives;**

(f) **Clear objectives and priorities should be determined when making decisions about the allocation of public resources, both in terms of programme areas and intended beneficiaries, while always aiming to protect the interests of**

the poor and disenfranchised and giving due attention to a longer-term horizon;

(g) Taking into account the interdependence of social development expenditures, such as primary education, nutrition and basic health, additional resources should be mobilized to achieve a critical mass of funding for these programmes in an effort to raise effectiveness in all areas of social development in an integrated manner;

(h) Greater consideration should be given to a range of alternative approaches to the delivery of social services, including, where appropriate, such steps as decentralization, public-private partnerships and privatization, and the impact that these alternative delivery systems have on social development;

(i) The relationship between public and private services should be reviewed and rethought. Although services could be provided by private entities, the fundamental objectives of those services and the ultimate responsibility of the State remain unchanged;

(j) Avenues of communication and information should be opened up, sharing with the public through the promotion of social dialogue, with the active and widespread participation of all concerned, as a means of making government more responsive to citizens' needs;

(k) Merit-based and transparent systems should be advanced in hiring and promotion practices in the public sector, paying particular attention to gender representation and other forms of diversity, while also ensuring that remuneration, working conditions and opportunities for career development are sufficiently beneficial to attract and retain qualified staff.

Notes

[1] See *Official Records of the Economic and Social Council, 2003, Supplement No. 44* (E/2003/44-E/C.16/2003/6), Recommendation 2.

[2] International Monetary Fund "Government Finance Statistics Yearbook 2002" and the World Bank "World Development Indicators 2003".

[3] See, for example, E/CN.5/2002/3, annex II.

[4] See, for example, the United Nations Millennium Declaration (General Assembly resolution 55/2), paras. 24 and 25, and General Assembly resolution S-24/2, annex, section III, para. 3.

[5] See, for example, General Assembly resolution S-24/2, annex, section I, para. 8; resolution 55/2, para. 20; and resolution 57/7, para. 23.

[6] See for instance, Carol Graham, *Private Markets for Public Goods: Raising the Stakes*, Brookings Institution Press, Washington, D.C., 1998.

[7] See, for example, General Assembly resolution S-24/2, annex, section III, para. 35.

[8] See www1.worldbank.org/publicsector/anticorrupt/index.cfm.